USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 1/21/2004

GAIN Report Number: E24013

European Union

Sugar

EU Accession: 'Excess' sugar stocks to be taxed

2004

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Report Highlights:
The European Commission has published rules for the forthcoming EU accession which include the taxing of above normal levels of sugar at the full EU tariff of EUR 419/MT. The move is designed to try and avoid New Member State operators importing sugar at low tariffs prior to accession in order to sell it at high EU levels post accession.
Also, the suspension of duty free access to EU markets for Serbian sugar which expires in February looks set to be extended according to reports in Brussels.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2]
[E2]

Taxing of abnormal levels of stocks in the accession countries

The European Commission has published a Regulation which sets out the measures for the sugar regime in relation to the forthcoming enlargement of the EU. On May 1st 2004, ten countries will join the EU: Cyprus, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia and Slovenia (the New member States or NMS). On joining the EU, these countries must adopt the tariffs and trade regime of the EU, as well as all EU policies, including the Common Agricultural Policy and sugar regime. For many, this will mean a substantial rise in sugar import tariffs. The EU level is EUR 419/MT, white sugar, and the price of white sugar is at least EUR 631/MT (the current derived white sugar intervention price).

In order to avoid what the Commission call speculation, or the import of sugar at current low or zero duties (for example, Estonia) before circulating the sugar in the EU after May 1st, the Commission will tax unusually high levels of stocks. This is defined as a level beyond the normal carry over level of stocks. If the Member State authorities can track down where this has occurred, the EU tariff will be charged on the amount of sugar, this money would eventually be added to the 2004/05 sugar regime budget.

For other sectors, for example, grains, similar measures have been introduced, though any eventual tariff levies would go to Member State budgets. For reference, the Regulation is EC Number 1972/2003.

The Regulation also defines transitional arrangements for May and June 2004 before the start of the 2004/05 Marketing Year on the 1st July 2004 from when the NMS will fully participate in the EU sugar regime. During May and June 2004, the NMS will not benefit from production quotas (it is considered that their 2003/04 production has already benefited from any national support scheme), except for some small isoglucose quotas.

The full text of the measure can be found at:
Commission Regulation (EC) No 60/2004 of 14 January 2004 laying down transitional measures in the sugar sector by reason of the accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia

Or from:

http://europa.eu.int/eur-lex/pri/en/oj/dat/2004/l_009/l_00920040115en00080012.pdf

Suspension of Serbian zero duty access for sugar to EU markets to be extended?

The countries of the Western Balkans (Serbia and Montenegro, Bosnia Herzegovina, Croatia, Macedonia and Albania) benefit from zero duty unlimited access to the EU for domestically produced goods with only a couple of minor exceptions. However, Serbian access to zero duty sugar tariffs to the EU was suspended last year on, according to the European Commission, grounds of fraud. Traces of cane sugar were reported to have been found in Serbian origin sugar exported to the EU. Serbia does not cane sugar.

The current six month suspension is due to expire in February, however, in a formal 'Notice to Importers' published in the EU's Official Journal, the European Commission warns importers that Serbian controls to verify the origins of Serbian sugar are still considered inadequate to prevent fraud. This would appear to pave the way for an extension of the suspension of zero duty access to EU markets for Serbian sugar.

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